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THE Borden COMPANY

BOARDS

ANNUAL REPORT 1959





THE BORDEN

COMPANY • Annual Report 1959

HIGHLIGHTS

	1959	1958
Net Sales	\$941,326,495	\$915,024,172
Net Earnings per share	\$ 25,548,693 \$5.21	\$ 24,612,475 \$5.06
Cash Dividends per share	\$ 13,696,547 \$2.80	\$ 13,614,448 \$2.80
Working Capital	\$124,418,889	\$124,255,089
Ratio: Current Assets to Current Liabilities	3.08:1	3.12:1

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Harold W. Comfort

Theodore G. Montague

Message to Stockholders and Employees

In 1959 the Company's sales and net income were the highest in its 103-year history. We expect the improvement to continue in the generally good economic climate forecast for 1960. For a business of our kind the implications of an expanding population and rising consumer income are obvious. However, our plans and aspirations look beyond these general economic opportunities to those that the Company itself should develop.

Throughout the Company stronger emphasis on research, in operations as well as in laboratories, should bring improved results. Additional improvement can be expected from the reorganization of major sales activities; the consolidation of smaller plants into larger, more efficient units; the introduction of more productive equipment; and the general streamlining of processing and distribution operations.

From our Research and Development programs came a number of improved or new products. Progress has been so satisfactory that budgets are being increased.

Our five-year, \$150,000,000 program for modernization and expansion will continue at a somewhat accelerated pace in 1960, its fourth year. New facilities provided by the program will again be placed where the profit and growth potential is greatest. Thus our chemical operation, which accounts for about 6% of total sales, is scheduled to receive about one-

sixth of the new facilities obtained in 1960, and virtually all will be used for expansion — not as plant replacements.

Our unconsolidated foreign subsidiaries are growing and their dividends are making a larger contribution to Company earnings. In recognition of their present and future significance this Report includes, for the first time, their combined financial statements. We are concentrating our foreign expansion plans in markets where economic and political stability is indicated, where a majority interest is available, and where the probable profit justifies the required investment.

We are redoubling our efforts to improve results in certain areas of the business whose profits have been less than warranted by sales volume or the investment employed. Here is a potential that should be realized as prices become more nearly aligned with costs, and full benefits accrue from recent changes in operations.

Finally, our confidence is sustained by the objective planning forecasts prepared by our principal operating divisions. Without exception these forecasts indicate growth in both sales and earnings in 1960.

We are grateful for the loyalty and cooperation of all the people in the organization who contributed to the Company's growth, and for the friendly interest of shareholders, as evidenced by the many letters we have received during the year.

Theodore G. Montague
Chairman

H. W. Comfort
President

February 19, 1960

Profits and sales

Profits and sales rose to peak levels in 1959.

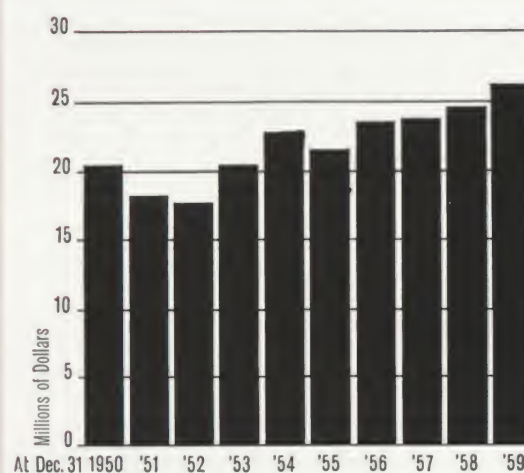
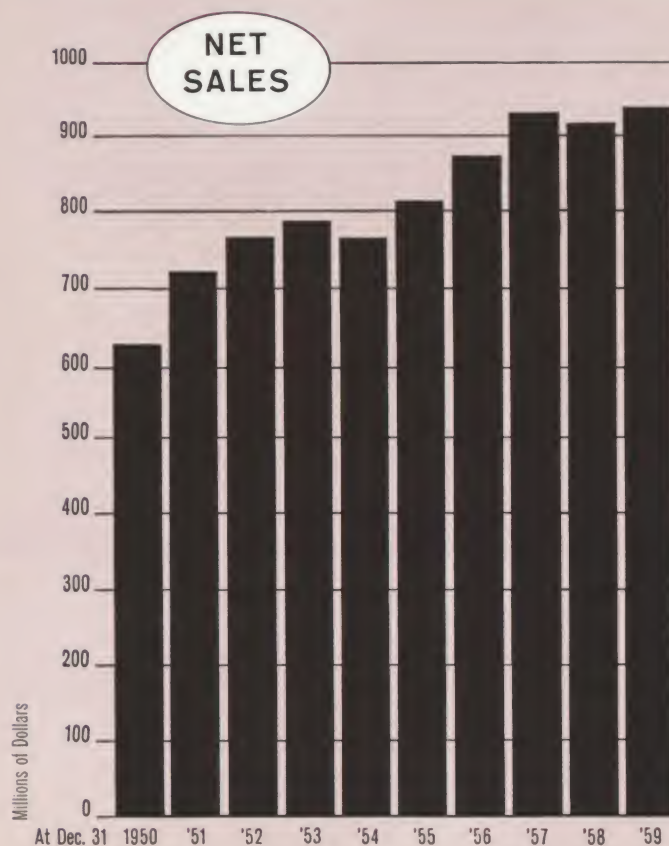
Net income amounted to \$25,548,693, an increase of 3.8% over the \$24,612,475 of 1958, and a new high for the fourth consecutive year. This is the equivalent of \$5.21 per share, as compared with \$5.06 in 1958. The rate of profit was 2.7 cents per dollar of sales.

Sales amounted to \$941,326,495. This was an increase of 2.9% over the \$915,024,172 of 1958, and exceeded the \$931,220,662 of 1957, the prior record year. Inasmuch as selling prices of most major products averaged lower than in 1958, the increase was largely the result of the greater volume of goods sold.

Stock split and dividends

With the approval of 99% of the stock voted, the Company's stock was split two-for-one at a special meeting of stockholders on Jan. 5, 1960. Subsequently, at its meeting on Jan. 26, 1960, the Board of Directors declared a quarterly dividend of 37½ cents a share, or the equivalent of an annual rate of \$3.00 per share on the

stock before the split. This compares with the rate of \$2.80 per share paid in 1959, when dividends were as follows: 60 cents per share on March 2, June 1, and Sept. 1, and \$1.00 on Dec. 19—the 199th consecutive dividend since Borden's incorporation in 1899.



Working capital

Working capital was again at an all-time high. Current assets of \$184,191,037 and current liabilities of \$59,772,148 (a ratio of 3:08 to 1) left a balance of

\$124,418,889 as working capital. It was \$124,255,089 in 1958. Current assets were \$76,218,889 in excess of total liabilities.

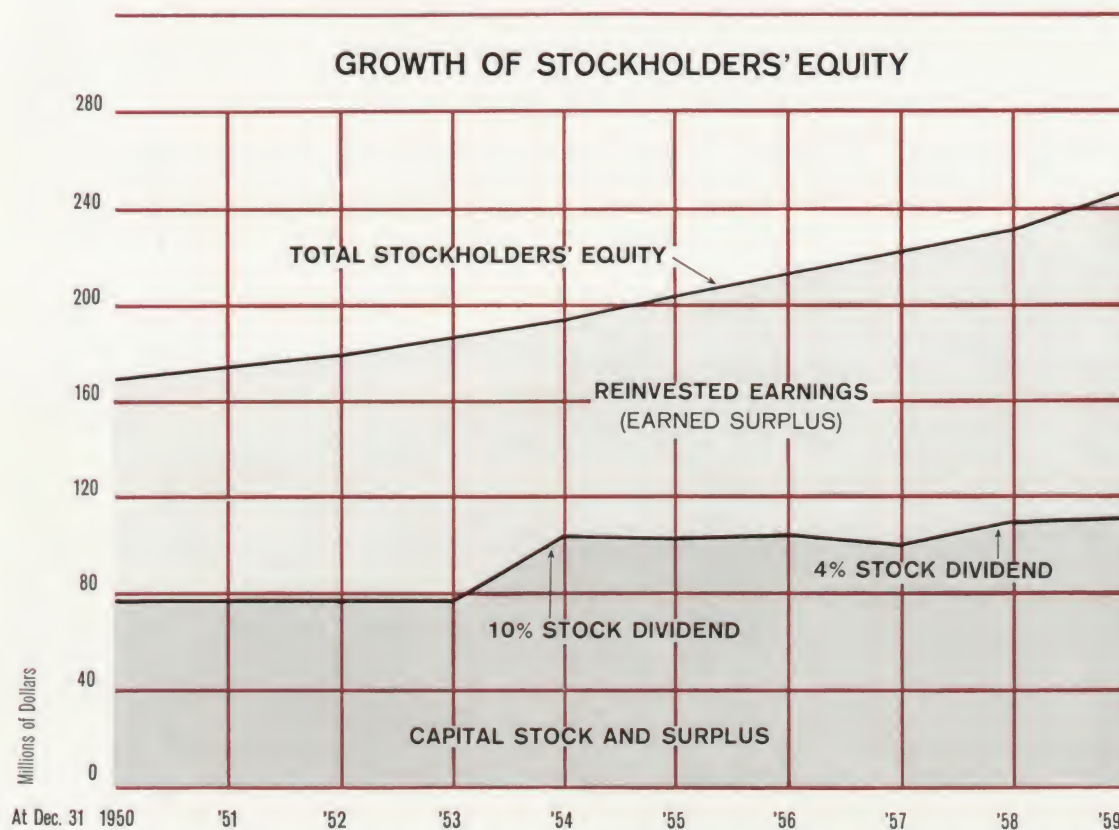
Borden's progress abroad

There was a marked improvement in the business of the Company's unconsolidated foreign subsidiaries. New operations were undertaken, and growth is expected to continue in 1960.

Sales of the unconsolidated foreign subsidiaries totalled \$70,626,961, as compared to \$58,923,904 in 1958. The Com-

pany's equity in their earnings was \$3,775,960; in 1958 it was \$3,203,443. Dividends paid to the Company, after provision for U. S. Federal Income Taxes, amounted to \$1,445,260 as compared with \$720,360 a year before. Financial statements of these subsidiaries are on page 23.

There were two important develop-



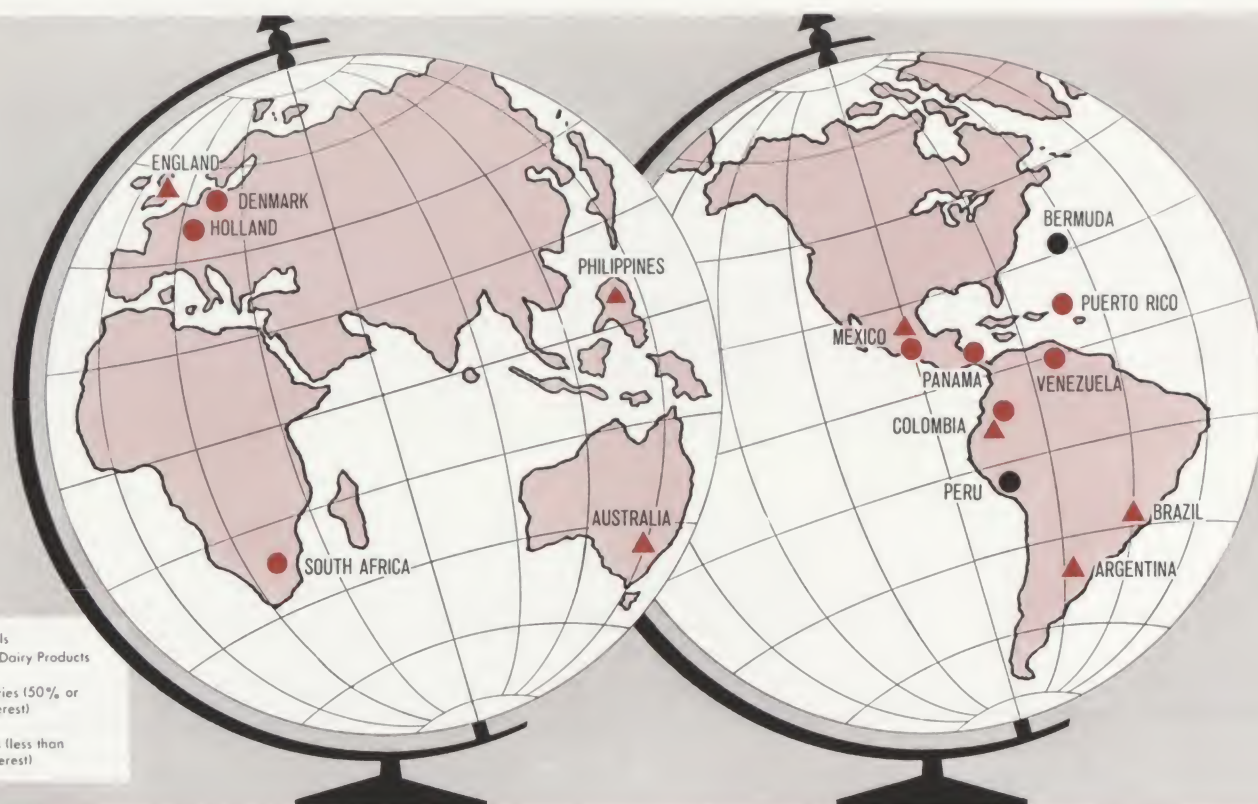
ments in Borden's chemical operations abroad. Negotiations were completed for the establishment of Colombia's first formaldehyde plant, near Cali. With a capacity of 7,000,000 lbs. of formaldehyde annually, the plant will also be equipped to produce 6,000,000 lbs. of resin. Construction will start in 1960.

Another South American chemical enterprise, the first methanol plant in Brazil and the first anywhere to use low cost fuel oil as its basic material, was completed near Sao Paulo. Methanol, a raw product for our formaldehyde, resins and adhesives, was formerly imported.

Scheduled expansion in the food business by our foreign subsidiaries started early in 1959 with the purchase of Holanda, S. A. and Mixturas, S. A., manufac-

turers of ice cream and ice cream mix in Mexico City. Subsequently, we entered other markets that are favored resorts of American tourists. We acquired the Puerto Rico Dairy, Inc., holder of the first milk license in Puerto Rico and a leading concern in the capital city of San Juan. In Bermuda, we purchased an interest in Devon Creamery, Ltd., and licensed it to produce Borden dairy products.

Sales of powdered milk, our principal food product in foreign distribution, rose appreciably above 1958. While a considerable volume of this product is manufactured and exported by The Borden Company's U. S. plants, a steadily increasing proportion of it is now being produced by the plants operated in Denmark and Holland by the unconsolidated subsidiaries.



Unconsolidated Foreign Subsidiaries and Affiliates

Borden products are distributed in a total of 107 countries and possessions. Markets outside the United States and Canada are served by export

operations of the Borden Foods Company and Borden Chemical Company as well as the subsidiaries and affiliates in the countries shown above.

Research creates new products

The Research and Development programs were energetically pursued in both food and non-food fields. Facilities were improved, staffs expanded, and a stream of new products and technological improvements flowed from the laboratories.

In addition to introducing several new products Borden Chemical Company ob-

tained 11 patents during the year, filed 30 patent applications, and is currently studying 41 records of new inventions to determine whether applications should be filed.

The variety and range of chemical research are indicated by a listing of products. In the industrial field are: Auto-Set 31, a self-curing liquid urea resin for re-constituting wooden particles into a board which is used in furniture-making; Perma-Gloss, a new vinyl material to replace patent leather in children's shoes and Polyco X-172, a styrene acrylic copolymer emulsion used as the base for self-acting floor polishes, which are sold under many brand names. In the consumer product field are a new garden hose manufactured by a process that makes it stronger, more flexible, and 20% lighter than predecessor products, and three additional items that are now in the final stage of development for marketing in 1960.

In the food area, our Research & Development Centre at Syracuse, N. Y., although only two years old, demonstrated the profitability of research. It developed new products. But, in addition, its work resulted in improved production techniques, new and better packaging, more satisfactory raw materials, and such contributions as better flavor, longer shelf life, and easier home use of products. Organization of new task forces for research into flavors and refrigerated dough products made it necessary to provide the Centre with space in our adjoining plant.

Among new food products introduced were a ready-to-bake coffee ring, which is now in general distribution; Gail Borden Signature Quality Cheese, a premium quality cheddar, specially packaged, and available in varying degrees of sharpness; a new Dutch Chocolate flavored mix, in national distribution after test-marketing; an improved Super Starlac; and several new cream cheeses. The trend toward larger consumer packages was recognized



New equipment advances efficiency. This machine turns out 126 ice cream novelties per minute in our new ice cream plant at Pittsburgh, Pa.

by the introduction of a 16-serving pack of instant potatoes, a 9-ounce jar of coffee, and an 8-quart Starlac package.

There were many developments in milk and ice cream products, which traditionally are introduced in one area and — if they have general appeal — spread to other markets. Included in this group were new types of cottage cheese, sour cream dips, whipped cream cheese, and

several new ice cream flavors. Also, a new line of ice cream packages will be introduced in 1960.

Market research also was strengthened. As a result of a survey of work of this kind in each of our divisions, it is now receiving the concentrated attention of operating management. As a result, intensification and further expansion of market research activities are anticipated in 1960.

Growth and modernization

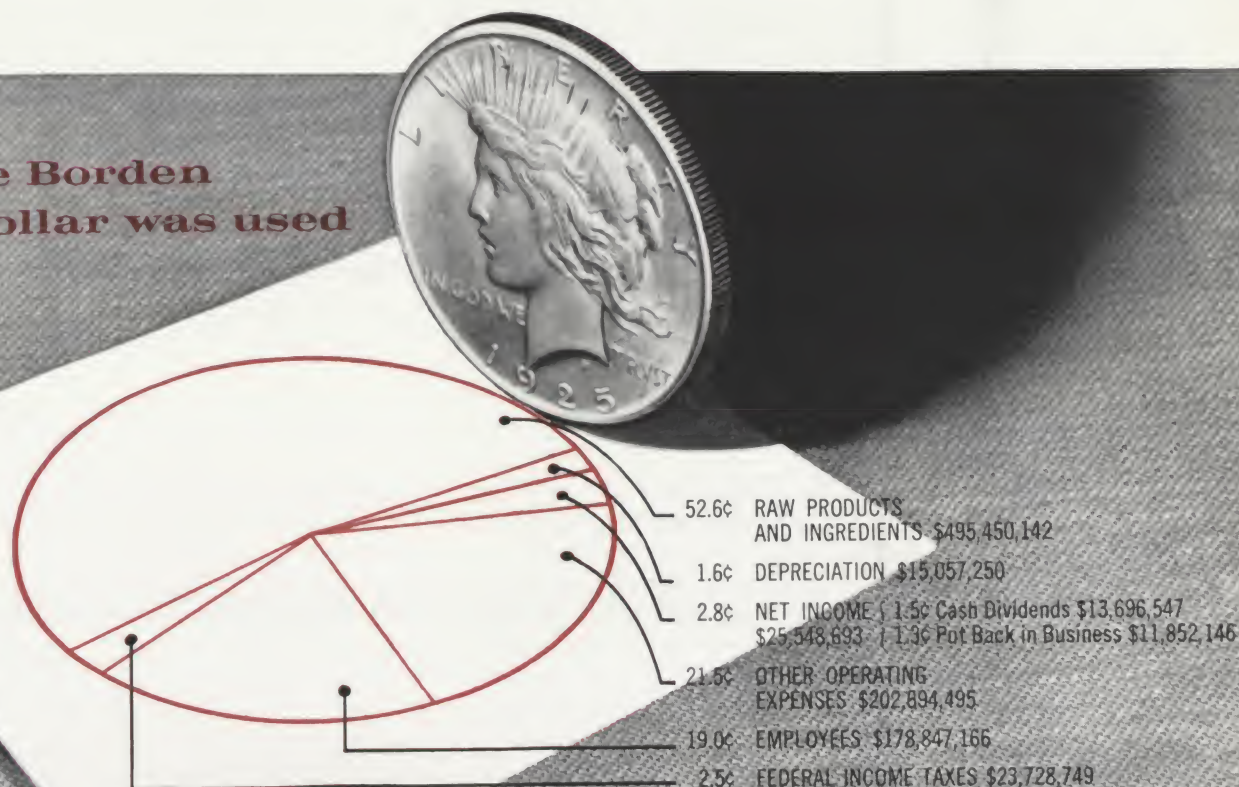
The planned growth of our domestic operations continued in 1959. To further diversify the Company's business we acquired several concerns that complement established operations. Our five-year \$150,000,000 program for modernization and expansion, which started in 1957, reached the \$85,400,000 mark.

New construction and equipment totaling \$26,700,000 was obtained in 1959. Depreciation accruals provided about

\$13,900,000 of this amount and working capital about \$6,400,000. The remainder of about \$6,400,000 was acquired by lease. In 1960, the plan calls for about \$31,000,000 in plants and equipment. Depreciation accruals will provide about \$14,400,000, working capital \$7,800,000, and our leasing arrangements about \$8,800,000.

The plan provides for many new plants and the expansion and modernization of

How the Borden Sales Dollar was used



existing facilities. Borden Foods Company built a new instant potato plant at Grafton, N.D. Borden Chemical Company erected a coatings and adhesives plant at Illiopolis, Ill., and started construction of a new polyvinyl chloride plant at the same location; ground has been broken for a resins and formaldehyde plant in the San Francisco Bay area; and a new polyvinyl alcohol plant at Leominster, Mass. will go into production in 1960.

Borden's Milk & Ice Cream Company has a number of new projects. In California they include a new ice cream plant, providing also for milk distribution, at Modesto; expansion of milk processing and ice cream distributing facilities at San Francisco; and a new combination milk and ice cream distributing unit at San Leandro. A new combination plant at Tampa, Fla. will be finished in 1960. In Chicago, Ill. our milk plant was expanded in 1959 and our ice cream plant is now being enlarged. In Indiana, a new ice cream plant at Fort Wayne and improvements to our milk processing and ice cream distributing plant at Hammond should be finished in 1960. In Louisiana, the combination Baton Rouge plant has been completed and the combination plant at New Orleans is being expanded. The ice cream plants at Woburn, Mass., and

Detroit, Mich., are being enlarged. Scheduled for 1960 completion are the new milk processing and ice cream distributing plant at Amarillo, Tex., the new milk distributing unit at Beaumont, Tex., and a combination plant at Milwaukee, Wisc.

The Borden Foods Company was strengthened by the acquisition of the F. H. Snow Canning Company of Pine Point, Me., a leading processor of clams and related foods, and Caussé Manufacturing and Importing Company of Jersey City, N. J., a long-established processor of glacé fruits.

Through the acquisition of the Carlson-Frink Company of Denver, Borden's milk and ice cream are available for the first time to consumers in Central Colorado. By acquiring the Ball Company, Inc. early in 1960, Borden introduced its milk products in the Lexington, Ky. market.

The Commercial Ink and Lacquer Company of Fairlawn, N. J. and Whitehouse, Ohio, was acquired early in 1960 and became a new department of The Borden Chemical Company. It is a manufacturer of gravure and flexographic printing inks and varnishes used primarily by the packaging, laminating and furniture-finishing industries — all areas in which our chemical operations are now active.

1960 promotion plans

Present promotion plans call for expenditures at levels approximating those of 1959, when special campaigns introducing new products required substantial sums. However, should certain promising new products be developed earlier than now scheduled, we may have to increase the budget to make their introduction effective.

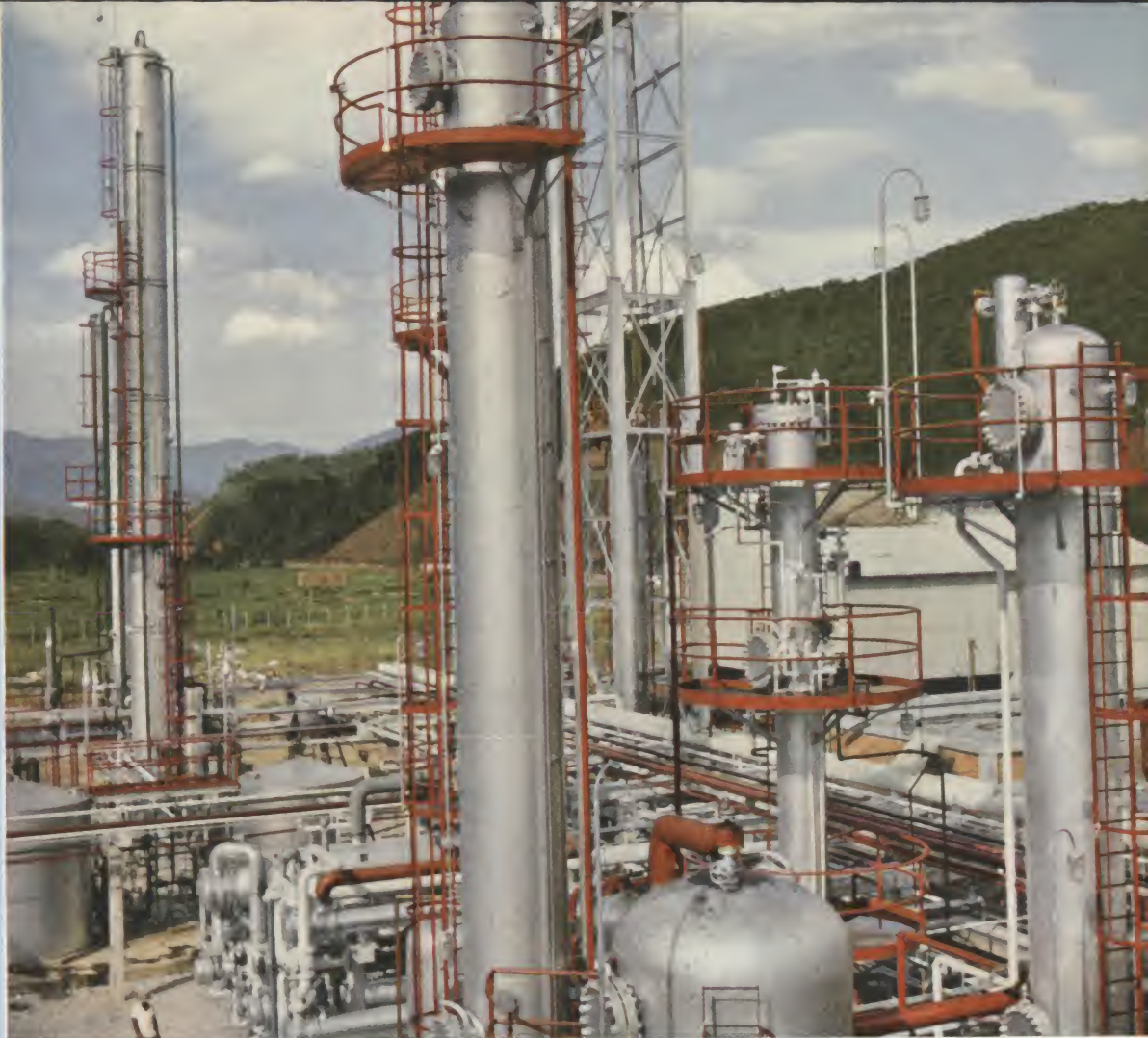
Merchandising and sales promotion efforts in behalf of many products will be strengthened in 1960.

A new advertising approach, which had

been worked out for the 1960 campaign of milk and ice cream products, appeared so promising that it was initiated and extended to several other products in the latter months of 1959. With the theme, "Borden's, Very Big on Flavor," the new advertising is marked by greater emphasis on appetite appeal and a modernized treatment of Elsie and her family.

Our 1960 plans call for the use of all major media — magazines, newspapers, outdoor boards, and radio and TV.

Brazil's first methanol plant came on stream in 1959. Located near Sao Paulo, the country's great industrial center, the \$4,500,000 plant was erected by Alba, S. A., our Brazilian subsidiary.



Elsie's gone to sea. During 1959 we acquired the F. H. Snow Canning Company, one of America's principal processors of clams. A fleet of modern clam draggers, such as the one shown here, supplies the Snow plants.





Instant Whipped Potatoes take but a few minutes from package to plate, and are an ideal accompaniment to almost any main course. Many stockholders became enthusiastic boosters of the new potatoes after sampling them.



Molded gelatin salads and desserts, dressed with a sour cream and strawberry sauce, grace the buffet of the busy hostess. Shown here are Mandarin Orange; Perfection, a lime gelatin with mixed vegetables; Pineapple; and Tropical Cherry.



Safety performance

After improving for three successive years, our safety experience in 1959 did not measure up to the prior year. While the frequency of vehicle accidents declined, there was an increase in the rate of employee injury accidents. And there was a marked rise in the number of serious

incidents in both types of accidents.

While our experience parallels a national trend it is nevertheless disturbing. Safety work at the operating level is accorded an importance equal to sales and production responsibilities. We expect an improved safety performance in 1960.

Employee benefit programs

Improvements in some features of the Retirement Income Plan for U. S. employees were made by the Board of Directors. Their action results in the plan's being more in keeping with current conditions and present-day practices. The more important of the changes, which become effective April 1, 1960, are:

Increased benefits upon retirement under the non-contributory part of the Plan; a reduction in service requirements for early or disability retirement, and for rights to retirement income if employment is terminated for other reasons; and discontinuance of the actuarial reduction in pension where retirement results from disability.

Improvements in the plan for Canadian employees are now being considered.

Our Employee Benefit Programs again made record payments to beneficiaries in the plan year ended March 31, 1959. They received \$4,081,191, including \$1,682,763 in retirement income. Benefits are expected to be higher in the current year, partly because of improvements in the Employees Weekly Accident & Sickness and Accidental Death & Dismemberment Insurance Plan. The changes became effective April 1, 1959.

Borden's Quarter Century Club initiated 323 new members in 1959. Special awards were presented to 105 who completed 40 years with the Company.

Developments in litigation

Major legal proceedings involving the Company in the last year and significant developments in litigation covered in Annual Reports for prior years are the following:

A hearing examiner dismissed the charges made by the Federal Trade Commission against Borden and other manufacturers involving certain practices in the sale and distribution of ice cream. This decision is being reviewed by the Commission. FTC brought a proceeding against the Company charging discrimina-

tory pricing in the sale of fluid milk and dairy products. Also, the Company began presenting its defense to an FTC complaint alleging price discrimination in evaporated milk sales.

Borden participated in declaratory judgment actions to test the validity of certain state "unfair trade practice" laws relating to dairy products. The Wisconsin law was upheld by the State Supreme Court after the trial court had ruled it to be unconstitutional. The suit in Louisiana is pending in the Federal District Court although in

(Continued on page 14)



DIRECTORS STUDY RESEARCH





3

PROGRESS

To get first-hand knowledge of the Company's expanding research program, the Board of Directors made two field trips — one to the main chemical research laboratory at Philadelphia, Pa., the other to the food Research and Development Centre at Syracuse, N. Y. Accompanied by key executives, the directors made a detailed inspection of major projects now under way.

1 Director Albert C. Simmonds, Jr. and Board Chairman Theodore G. Montague view a polymerization demonstration at Philadelphia.

2 Another chemical demonstration, by Dr. Helmuth Pfluger, holds the interest of Directors Robcliff V. Jones and Francis R. Elliott.

3 Director Madison H. Lewis learns about molecular structures from Chemist Ray V. Mihailovich.

4 President Harold W. Comfort and Director A. R. Marusi examine a phonograph record made from a newly-patented resin developed at Philadelphia.

5 At Syracuse, Researcher Kenneth W. Henry outlines work on dry milk products to Thomas W. Biggs, Assistant Vice President, and Directors L. Manuel Hendler and Lester Le Feber.

6 Vice President Theodore O. Hofman, Executive Vice President Roy D. Wooster and President Comfort question Syracuse Researcher Robert V. Close about new work on instant coffee.



6

(Continued from page 11)

a state court proceeding brought by other concerns certain provisions of the law were upheld. There have been no hearings in the case involving the Missouri statute.

Early in 1960, Borden and other dairy concerns were named defendants in a civil suit under the anti-trust laws brought in Federal District Court in California. Four other anti-trust proceedings of a similar nature are pending in Missouri and Illinois.

In the cases involving the so-called "windfall profits" from the Government's lowering of cheese support prices in 1954,

Borden and other concerns lost their appeals from judgments against them, although the trial court had ruled that the companies acted in good faith.

During the year, Borden settled all of its outstanding litigation relating to cheese patents. The settlement should avoid any further suits concerning the patents and processes involved.

There was also, of course, the normal litigation arising from the Company's day to day operations.

Company ownership

There were 4,900,000 shares of capital stock outstanding on Dec. 31, as compared with 4,860,000 shares at the close of 1958. There were 47,942 stockholders, as compared with 48,358 a year earlier.

The average stockholding was 102 shares, as compared with 100 a year be-

fore. So far as is known, no one owned as much as 1% of the outstanding stock.

During the year we issued 49,317 shares under the Employee Stock Option Plan. We bought 9,317 more shares than were issued for acquisitions, making a net increase of 40,000 shares in stock outstanding.

Changes in board and management

Augustine R. Marusi, a Vice President of the Company since 1955 and President of The Borden Chemical Company since 1954, was elected a member of our Board of Directors on Dec. 23. Following graduation as a chemical engineer from Rensselaer Polytechnic Institute, Mr. Marusi joined the Borden organization in 1939.

Howard C. Sheperd was also elected a Director on Dec. 23 shortly after his retirement as Chairman of the Board of the First National City Bank of New York. Mr. Sheperd, who was President of the New York Clearing House Association in 1959, is a director of several other corporations.

Messrs. Sheperd and Marusi filled vacancies resulting from the deaths in 1959 of two long-time Directors, Thomas I. Parkinson, who died June 17, and Henning

W. Prentis, Jr., whose death occurred Oct. 29.

Leo W. Bayles, a Vice President of the Company since 1957 and President of its subsidiary, Drake Bakeries, since 1953, resigned these offices Dec. 31 after 37 years of service. He continues as a Director of Drake Bakeries. He was succeeded as President of Drake Bakeries by Theodore G. Montague, Jr., a graduate of the U. S. Military Academy, who joined the organization in 1951.

Thomas W. Biggs was appointed an Assistant Vice President on Jan. 6, 1960. He will continue his duties as Assistant to the President, with broadened responsibilities in coordinating product research. With a degree in business administration from Columbia University, Mr. Biggs started with Borden's in 1928.



Three Borden products combine for a quick and tasty snack — biscuits, either plain or buttermilk; instant coffee; and the new line of cream cheese bars, plain or chive, pimienta, or date-and-nut flavors.



Banana Bowl, a streamlined version of the long popular banana split, was a special favorite of young ice cream enthusiasts in 1959. It is one of NINE ice cream flavors introduced nationally in 1959.



Canadian business better



Sales, volume, and earnings of The Borden Company, Limited, improved again in 1959, Borden's 60th year in Canada. The upward trend, which was fostered by good general business conditions, is expected to continue in 1960.

New and improved products will aid the future sales growth of the Canadian company. Instant Starlac, introduced in mid-1959, and Instant Whipped Potatoes, which entered the market at the close of the year, should have a marked effect on 1960 sales. They will be supplemented by several other items — one new to the Borden line, the others with a record of successful marketing in the U.S.

Consolidation of sales work in the Hamilton, Ont. market resulted in a single sales force to handle milk and ice cream as well as other food products. This was

a logical sequence to the merger of our cheese and grocery products divisions in 1958. If the consolidated sales force is successful in the Hamilton market it may be extended to other areas in 1960.

Plans are being made for the construction of a large milk processing plant in Toronto, Ont. Buildings now housing the Company's main offices and major processing facilities have been expropriated and will be razed to make way for the University of Toronto's expansion program.

A new \$1,000,000 milk plant was opened in Montreal, P.Q., and modernization of the ice cream plant at Belmont, Ont. was completed. Also, the remaining 613 acres of our Nepean County farm property near Ottawa, Ont., was sold for residential development under a Federal-Provincial Partnership project.



Pipers lent color when The Borden Company, Limited, participated in a "hands across the border" dinner for those attending the annual Food Editors Conference in Chicago. Shown here with President Jean Charest are (left to right) Ann Adam, *Toronto Globe & Mail*; Marjorie Elwood, *Toronto Star Weekly*; Mr. Charest; Margaret Carr, *Toronto Daily Star*; Eileen Campsall, home economist, The Borden Company, Limited; Louise Moore, *Toronto Telegram*; Evelyn Caldwell, *Vancouver Sun*, and Eva Buck, *Ottawa Journal*.

THE BORDEN COMPANY and Consolidated Subsidiaries

Ten Year Summary

	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950
Operating										
Sales	\$941,326,495	\$915,024,172	\$931,220,662	\$876,987,184	\$810,126,624	\$776,838,791	\$792,381,721	\$768,019,612	\$722,770,380	\$631,114,120
Payrolls	\$178,847,166	\$178,811,677	\$178,034,224	\$164,966,379	\$153,233,084	\$145,063,306	\$140,063,502	\$134,784,228	\$122,158,335	\$113,004,008
Taxes	\$ 23,728,749	\$ 21,632,971	\$ 22,146,164	\$ 20,951,370	\$ 19,279,450	\$ 23,428,263	\$ 22,102,585	\$ 15,742,410	\$ 19,128,541	\$ 15,731,165
(U.S. & Canadian Fed. Income)										
Depreciation	\$ 15,057,250	\$ 15,393,749	\$ 15,573,279	\$ 15,130,492	\$ 14,282,324	\$ 13,761,179	\$ 13,294,359	\$ 12,301,608	\$ 11,285,846	\$ 10,366,594
Net Income	\$ 25,548,693	\$ 24,612,475	\$ 23,996,321	\$ 23,602,746	\$ 21,653,536	\$ 22,724,336	\$ 20,264,156	\$ 17,667,137	\$ 18,080,371	\$ 20,147,073
Per Sales Dollar	2.71¢	2.69¢	2.57¢	2.69¢	2.67¢	2.93¢	2.56¢	2.30¢	2.50¢	3.19¢
Per Share*	\$5.21	\$5.06	\$4.94	\$4.82	\$4.43	\$4.63	\$4.12	\$3.60	\$3.67	\$4.10
Cash Dividends	\$ 13,696,547	\$ 13,614,448	\$ 13,123,410	\$ 13,216,528	\$ 13,176,366	\$ 12,439,939	\$ 12,034,800	\$ 12,027,145	\$ 12,036,366	\$ 12,019,910
Per Share*	\$2.80	\$2.80	\$2.69	\$2.69	\$2.69	\$2.53	\$2.45	\$2.45	\$2.45	\$2.45
Financial										
Working Capital	\$124,418,889	\$124,255,089	\$121,102,083	\$118,232,105	\$119,400,811	\$119,436,523	\$119,578,762	\$115,921,287	\$114,987,211	\$101,355,105
Current Ratio**	3.08:1	3.12:1	3.22:1	3.26:1	3.54:1	3.84:1	3.76:1	3.89:1	3.86:1	3.73:1
Inventories	\$ 69,516,134	\$ 67,011,708	\$ 65,043,169	\$ 62,167,264	\$ 59,003,108	\$ 53,501,698	\$ 67,971,612	\$ 81,878,083	\$ 73,742,837	\$ 54,906,173
Property and Equipment	\$305,407,468	\$292,358,752	\$282,469,382	\$266,579,863	\$247,281,722	\$233,937,180	\$224,276,381	\$219,487,155	\$208,894,814	\$196,471,088
Reserves for Depreciation	\$142,375,018	\$139,211,991	\$135,517,724	\$127,647,295	\$119,172,355	\$111,285,644	\$105,685,809	\$101,724,036	\$ 93,006,980	\$ 86,900,462
Net Property and Equipment	\$163,032,450	\$153,146,761	\$146,951,658	\$138,932,568	\$128,109,367	\$122,651,536	\$118,590,572	\$117,763,119	\$115,887,834	\$109,570,626
Borrowed Capital	\$ 48,200,000	\$ 50,250,000	\$ 52,825,000	\$ 52,625,000	\$ 53,750,000	\$ 55,000,000	\$ 57,200,000	\$ 58,750,000	\$ 60,000,000	\$ 45,800,000
Stockholders' Equity	\$245,570,465	\$231,904,674	\$221,095,165	\$212,629,907	\$201,204,674	\$194,021,424	\$185,533,017	\$177,012,551	\$172,017,360	\$166,269,312
Other										
Shares Outstanding	4,900,000	4,860,000	4,666,000	4,707,000	4,692,000	4,710,000	4,300,000	4,295,000	4,300,000	4,300,000
Number of Stockholders	47,942	48,358	48,537	48,488	48,876	49,430	50,605	51,324	51,479	51,121
Number of Employees	32,165	33,718	35,058	34,160	33,194	32,498	32,465	32,564	32,475	31,545

*Adjusted for 10% stock dividend in 1954 and 4% stock dividend in 1958.

**Ratio of Current Assets to Current Liabilities.

Consolidated Balance Sheet

December 31

ASSETS

1959

1958

CURRENT ASSETS:

Cash	\$ 36,294,489	\$ 40,899,899
United States Government Securities	16,712,208	16,396,874
Receivables	61,668,206	58,486,257
(Less Reserves—1959, \$2,825,019; 1958, \$2,420,451)		
Inventories (Note 2) :		
Finished Goods	40,051,958	38,403,345
Materials and Supplies	29,464,176	28,608,363
Total Inventories	\$ 69,516,134	\$ 67,011,708
Total Current Assets	\$184,191,037	\$182,794,738

INVESTMENTS AND OTHER ASSETS:

Unconsolidated Foreign Subsidiaries (Note 1)	\$ 1,723,147	\$ 1,723,147
Securities on Deposit	1,693,160	1,517,862
(Pursuant to Workmen's Compensation Laws, etc.)		
Mortgages, Receivables, etc.	7,202,289	5,955,059
Total	\$ 10,618,596	\$ 9,196,068
Less Reserves	334,202	324,477
Net Investments and Other Assets	\$ 10,284,394	\$ 8,871,591

PROPERTY AND EQUIPMENT	\$305,407,468	\$292,358,752
Less Reserves for Depreciation	142,375,018	139,211,991
Net Property and Equipment	\$163,032,450	\$153,146,761

DEFERRED CHARGES	\$ 3,361,678	\$ 2,639,991
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INTANGIBLES	\$ 2,753,457	\$ 1,370,715
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TOTAL	\$363,623,016	\$348,823,796
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See page 21 for notes to financial statements.

and Consolidated Subsidiaries

December 31

LIABILITIES

1959

1958

CURRENT LIABILITIES:

Accounts Payable	\$ 40,356,426	\$ 39,847,806
Accrued Accounts:		
Taxes (after deducting Treasury Bills equal to U. S. Federal Income Taxes—1959, \$13,100,000; 1958, \$15,900,000) . . .	3,888,413	3,545,946
Other	15,527,309	15,145,897
Total Current Liabilities	<u>\$ 59,772,148</u>	<u>\$ 58,539,649</u>

LONG-TERM DEBT (Note 3):

The Borden Company—2 $\frac{7}{8}$ % Debentures due 1981	\$ 47,000,000	\$ 49,000,000
Subsidiary—3 $\frac{1}{2}$ % Note due 1973	1,200,000	1,250,000
Total Long-Term Debt	<u>\$ 48,200,000</u>	<u>\$ 50,250,000</u>

RESERVES:

Insurance, etc.	\$ 6,893,260	\$ 7,329,930
Deferred Federal Taxes on Income (Note 7)	3,187,143	799,543
Total Reserves	<u>\$ 10,080,403</u>	<u>\$ 8,129,473</u>

CAPITAL STOCK AND SURPLUS (Note 4):

Capital Stock—par value \$15 per share

Authorized 8,000,000 shares

	1959	1958		
Issued	5,133,074 shares	5,083,757 shares		
Less Treasury Stock	<u>233,074</u>	<u>223,757</u>		
Outstanding	4,900,000 shares	4,860,000 shares . .	\$ 73,500,000	\$ 72,900,000
Capital Surplus			38,426,829	37,213,184
Earned Surplus (Earnings retained for use in the business)			<u>133,643,636</u>	<u>121,791,490</u>
Total Capital Stock and Surplus			<u>\$245,570,465</u>	<u>\$231,904,674</u>
TOTAL			<u>\$363,623,016</u>	<u>\$348,823,796</u>

Consolidated Income and Earned Surplus

	Year Ended December 31	
	1959	1958
NET SALES	\$941,326,495	\$915,024,172
OTHER INCOME (Includes Interest, Dividends and Royalties— 1959, \$4,652,525; 1958, \$3,141,934)	<u>5,356,491</u>	<u>3,782,094</u>
TOTAL	<u>\$946,682,986</u>	<u>\$918,806,266</u>
LESS:		
Cost of Goods Sold	\$820,186,980	\$798,423,946
Selling, General and Administrative Expenses and Other Charges — net	75,511,400	72,374,951
Interest Expense	1,707,164	1,761,923
Provision for U. S. and Canadian Federal Income Taxes . . .	<u>23,728,749</u>	<u>21,632,971</u>
TOTAL	<u>\$921,134,293</u>	<u>\$894,193,791</u>
NET INCOME FOR THE YEAR	\$ 25,548,693	\$ 24,612,475
EARNED SURPLUS AT BEGINNING OF YEAR	<u>121,791,490</u>	<u>121,437,643</u>
TOTAL	<u>\$147,340,183</u>	<u>\$146,050,118</u>
DIVIDENDS PAID:		
Cash (\$2.80 a share in each year)	\$ 13,696,547	\$ 13,614,448
Stock	<u> </u>	<u>10,644,180</u>
TOTAL	<u>\$ 13,696,547</u>	<u>\$ 24,258,628</u>
EARNED SURPLUS AT END OF YEAR (Earnings retained for use in the business)	<u>\$133,643,636</u>	<u>\$121,791,490</u>

See page 21 for notes to financial statements.

NOTES to Financial Statements

(1) **BASIS OF CONSOLIDATION, ETC.:** The financial statements for 1959 include all domestic subsidiaries and all Canadian operating subsidiaries, the accounts of the latter being converted at par. On page 23 appears financial information concerning foreign subsidiaries, not consolidated, and dividends received by the Company therefrom.

(2) **INVENTORIES:** In valuing inventories and in determining the cost of goods sold, average costs (reduced to market, if lower) were used, except as to certain products for which the last-in, first-out (Lifo) method was used. The inventory valuations of products on the Lifo basis were less than the current cost of those products by approximately \$6,000,000 and \$5,600,000 at December 31, 1959 and 1958, respectively.

(3) **LONG-TERM DEBT:** The Borden Company shall pay into a sinking fund for its 2½ % Debentures due 1981 a sum sufficient to redeem on March 1, 1961, and on each March 1 thereafter, to and including March 1, 1980, \$1,250,000 principal amount of Debentures with the option to increase any payment by an amount not exceeding \$1,250,000. The sinking fund obligation due on March 1, 1960 was satisfied prior to December 31, 1959 by delivery to and cancellation by the trustee of Debentures of a principal amount of \$1,250,000. The Company also has purchased, and holds in its treasury, Debentures of a principal amount of \$3,000,000 which are not shown as outstanding.

The Subsidiary's 3½ % Note due 1973 requires the payment of annual installments of \$50,000 on November 15, 1960 (which installment is included in Accounts Payable) and on each succeeding November 15, to and including November 15, 1972.

(4) **CAPITAL STOCK AND SURPLUS:** There was credited to capital surplus during 1959, \$2,019,653 representing the excess of the option price over the par value of 49,317 shares issued pursuant to options exercised, and \$175,780, the proceeds from disposal of properties previously written-off against capital surplus. There was charged to capital surplus a net amount of \$981,788, representing excess of cost over par value of shares acquired less excess of consideration received over par value of shares reissued for new businesses. Stock acquired exceeded stock reissued by 9,317 shares.

On January 5, 1960, the stockholders approved an increase in the authorized shares of the Company's capital stock from 8,000,000 shares of the par value of \$15 each, to 16,000,000 shares of the par value of \$7.50 each, in order to split the Company's stock, including treasury stock, on a two-for-one basis.

(5) **EMPLOYEES STOCK OPTION PLAN:** A summary of the operation of this plan during the year is as follows:

	Shares Reserved	
	For Options Granted	Available For Future Granting
Balance at December 31, 1958.....	176,312	175,429
Options granted (at \$73.94 a share)	173,450	(173,450)
Options exercised (42,138 shares at \$53.23 per share; 5,907 at \$71.50; and 1,272 at \$73.94).....	(49,317)	
Options cancelled due to termination of employment.....	(1,293)	1,293
Balance at December 31, 1959.....	<u>299,152</u>	<u>3,272</u>

The option prices for shares under option at December 31, 1959 were \$53.23 a share for 53,696 shares; \$71.50 for 73,328 shares; and \$73.94 for 172,128 shares.

(Notes continued on page 22)

(Notes continued from page 21)

(6) **DEPRECIATION AND RENTALS:** Provision for depreciation charged to operations was \$15,057,250 for 1959 and \$15,393,749 for 1958, and is based upon the Property and Equipment account as shown in the accompanying consolidated Balance Sheet, exclusive of Land in the amount of \$14,267,306 and \$14,184,385 at December 31, 1959 and 1958, respectively. Rentals amounted to approximately \$9,500,000 for 1959 of which \$7,000,000 was related to long term leases.

(7) **DEFERRED FEDERAL TAXES ON INCOME:** The Company adopted the policy, effective July 1, 1958, of providing out of income amounts equal to the reduction in Federal income tax resulting from the use, for income tax reporting only, of accelerated methods of depreciation. The amounts so provided for 1959 and the last six months of 1958, and included in the Reserve for De-

ferred Federal Taxes on Income, were \$2,387,600 and \$799,543, respectively.

(8) **EMPLOYEES RETIREMENT INCOME PLAN:** The unfunded lump-sum cost of retirement income for past service which is borne by the Company was actuarially estimated to be \$32,339,000 at the close of the last Plan Year, April 1, 1959. The charge to operations for the year 1959, including \$1,810,000 for the amortization of past-service cost, was \$4,030,000.

(9) **CONTINGENCIES:** The Company was guarantor of bank loans aggregating approximately \$5,880,000 at December 31, 1959. See comment on Page 11 of this Report for information regarding litigation.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

TWO BROADWAY
NEW YORK 4

FEBRUARY 19, 1960.

To the Stockholders and Board of Directors of The Borden Company:

We have examined the consolidated balance sheet of THE BORDEN COMPANY and Consolidated Subsidiaries as of December 31, 1959 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly the financial position of the companies at December 31, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

THE BORDEN COMPANY

Foreign Subsidiaries Not Consolidated

December 31

Combined Balance Sheets

	1959	1958
Current Assets	\$28,661,103	\$26,368,678
Investments and Other Assets	3,243,438	3,189,373
Property and Equipment (Less Reserves for Depreciation)	10,130,373	8,493,113
Deferred Charges	795,319	304,380
Intangibles	341,955	233,833
Total Assets	<u>\$43,172,188</u>	<u>\$38,589,377</u>
Current Liabilities	\$16,205,792	\$13,598,534
Long-Term Debt	453,101	282,892
Reserves	648,818	654,479
Total Liabilities and Reserves	<u>\$17,307,711</u>	<u>\$14,535,905</u>
Net Assets	\$25,864,477	\$24,053,472
Less—Minority Interest	2,469,906	2,132,414
Company's Equity in Net Assets	<u>\$23,394,571</u>	<u>\$21,921,058</u>

Year Ended December 31

Combined Statements of Income

	1959	1958
Net Sales	\$70,626,961	\$58,923,904
Other Income	811,899	676,887
Total	<u>\$71,438,860</u>	<u>\$59,600,791</u>
Less:		
Cost of Goods Sold	\$56,021,422	\$46,675,367
Selling, General and Administrative Expenses and Other Charges	9,489,386	8,415,175
Interest Expense	396,025	269,364
Provision for Foreign Taxes	1,315,671	808,695
Total	<u>\$67,222,504</u>	<u>\$56,168,601</u>
Net Income	4,216,356	\$ 3,432,190
Less—Minority Interest	440,396	228,747
Company's Equity in Net Income	<u>\$ 3,775,960</u>	<u>\$ 3,203,443</u>
Dividends paid to the Company	\$ 2,302,447	\$ 1,500,750
Less U. S. Federal Income Tax applicable thereto	857,187	780,390
Remainder included in Company's Net Income	<u>\$ 1,445,260</u>	<u>\$ 720,360</u>

THE BORDEN COMPANY

BOARD OF DIRECTORS

THEODORE G. MONTAGUE, *Chairman*
HAROLD W. COMFORT, *President*
FRANCIS R. ELLIOTT, *Vice President*
President, Borden's Milk & Ice Cream Co.
L. MANUEL HENDLER, *Baltimore*
Former Chairman, South East District
ROBCLIFF V. JONES, *New York*
Former Vice President
LESTER LE FEBER, *Milwaukee*
Former President, Gridley Dairy Co.
MADISON H. LEWIS, *New York*
Former Chairman, East District
AUGUSTINE R. MARUSI, *Vice President*
President, Borden Chemical Co.
HOWARD C. SHEPERD, *New York City*
Former Chairman, First National City Bank
of New York
ALBERT C. SIMMONDS, JR.
Chairman, The Bank of New York
ROY D. WOOSTER, *Executive Vice President*

EXECUTIVE COMMITTEE: Mr. MONTAGUE, *Chairman*;
Messrs. COMFORT, HENDLER, JONES and LEWIS

COMMITTEE ON AUDIT: Mr. SIMMONDS, *Chairman*;
Messrs. LEWIS and SHEPERD

FINANCE COMMITTEE: Mr. MONTAGUE, *Chairman*;
Messrs. COMFORT, LEWIS, SHEPERD and
SIMMONDS

PENSION COMMITTEE: Mr. JONES, *Chairman*; Messrs.
COMFORT, LEWIS, MONTAGUE and WOOSTER

OFFICERS

HAROLD W. COMFORT, *President*
ROY D. WOOSTER, *Executive Vice President*
CECIL I. CROUSE, *Vice President*
FRANCIS R. ELLIOTT, *Vice President*
THEODORE O. HOFMAN, *Vice President*
DR. RAYMOND J. KUNZ, *Vice President*
AUGUSTINE R. MARUSI, *Vice President*
EVERETT L. NOETZEL, *Vice President and Treasurer*
DOUGLAS T. ORTON, *Secretary*
THOMAS W. BIGGS, *Assistant Vice President*
LOUIS CSENGE, *Assistant Vice President*
MILTON FAIRMAN, *Assistant Vice President*
EDWIN S. PATIENCE, *General Controller*
HARRY L. CAMP, *Assistant Treasurer*
KENNETH J. NEAGLE, *Assistant Secretary*

BOARD OF OFFICERS: Mr. COMFORT, *Chairman*;
Messrs. BIGGS, CROUSE, CSENGE, ELLIOTT,
FAIRMAN, HOFMAN, KUNZ, MARUSI, NOETZEL,
ORTON, WOOSTER, and HARRY L. ARCHER,
Vice President of Borden's Milk & Ice Cream Co., and
JEAN J. CHAREST, *President of The Borden Co., Ltd.*

CORPORATE DATA

EXECUTIVE OFFICES: 350 Madison Avenue, New York 17, N. Y.

REGISTERED OFFICE: 117 Main Street, Flemington, N. J.

GENERAL COUNSEL: Milbank, Tweed, Hope & Hadley, 15 Broad Street, New York 5, N. Y.

AUDITORS: Haskins & Sells, 2 Broadway, New York 4, N. Y.

REGISTRAR: Bankers Trust Company, 16 Wall Street, New York 5, N. Y.

TRANSFER AND DIVIDEND DISBURSING AGENT: The Chase Manhattan Bank,
40 Wall Street, New York 15, N. Y.

